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SENATE

REPORT
No. 97-578

# RECOMMENDATIONS FOR THE ESTABLISHMENT OF FAIR AND EQUITABLE CONDITIONS FOR UNITED STATES AGRICULTURAL EXPORTS IN INTERNATIONAL TRADE

SEPTEMBER 23 (legislature day, SEPTEMBER 8), 1982.—Ordered to be printed

Mr. DOLE, from the Committee on Finance, submitted the following

## REPORT

[To accompany S. Res. 465]

The Committee on Finance, to which was referred the resolution (S. Res. 465) with respect to recommendations for the establishment of fair and equitable conditions for U.S. agricultural exports in international trade, reports favorably thereon without amendment and recommends that the resolution do pass.

### I. SUMMARY

U.S. agricultural trade has traditionally been conducted in compliance with the principles of free and unfettered commerce respected in domestic U.S. business affairs. At the same time, the United States has urged other exporters of farm products as well as importing countries to work toward more liberalized trade practices so as to maximize the benefits of comparative advantage to the greatest extent possible. While these efforts have been partially successful through the ongoing negotiation under the General Agreement on Tariffs and Trade (GATT), progress in the agricultural sector has been slowed by a series of record world harvests of major farm commodities and by the artificial stimulus of the domestic farm programs of several exporting countries. The increasing use of unfair trade practices, including export subsidies by a number of foreign countries, to secure a major and growing share of world demand for farm products, including value-added products, has become a serious threat to the U.S. balance of payments, net farm income, and employment levels. This critical situation will be addressed during the November 1982 Ministerial-level meeting

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on the GATT. The purpose of Senate Resolution 465 is to encourage U.S. negotiators to press for restoration of U.S. competitiveness in agricultural trade by obtaining agreement to reform the treatment of primary products under the Subsidies Code without reference to political or economic disagreements in nonagricultural areas. The resolution also specifies that, pending progress in this effort, the United States should take every legitimate step to prevent further erosion of our farm exports and to regain a fair share of world markets. Finally, the resolution expresses the sense of the Senate that sufficient funds be made available to counteract the unfair trade practices of other exporting countries in order to restore U.S. competitiveness.

## II. BACKGROUND

The role of the GATT in regulating world trade since 1947 is summarized in Report 97–442 on S. Res. 386 (U.S. Goals for the November 1982 Meeting of Ministers to the General Agreement on Tariffs and Trade). The disparate treatment of primary products with regard to the permissible use of export subsidies was reauthorized during the Tokyo Round of negotiations ending in 1979, although the United States exacted certain commitments under the various articles encompassing the Subsidies Code. These provisions are particularly important in light of the pending resolution of several complaints filed under section 301 of the 1974 Trade Act in the next few months. The usefulness of the Subsidies Code in resolving these U.S. grievances against the use of export subsidies on processed and bulk farm exports by other countries will be a major determinant in the future course of our trade policy.

The committee resolution, while recognizing the importance of attempting to resolve pending issues in a manner consistent with our international obligations also emphasizes that a lack of significant progress should be countered through a restoration of competitive conditions.

In determining methods through which the United States might achieve relative parity with other exporting countries through the use of financing mechanisms to offset and neutralize the continued use of export subsidies by other countries, there are several authorities available to the Secretary of Agriculture. The 1981 farm bill provides authority to operate an Agricultural Export Credit Revolving Fund to facilitate direct government-to-government loans and intermediate-term loans for the sale of breeding livestock and the construction of marketing facilities in developing importing countries. The same legislation also would allow the Secretary to exercise a special standby export subsidy program to annul the competitive advantage of exporters of particular products in specified third-country markets. Finally, the Charter Act of the Commodity Credit Corporation permits the Secretary to buy down the interest rates on loans and loan guarantees to levels competitive in international financial markets.

A major consideration in the possible use of competitive financing methods to restore U.S. competitiveness in agricultural trade is the funding which would be made available to demonstrate U.S. resolve to restore equity. The 1982 Budget Reconciliation Act allocated from $175 to $190 million per year in fiscal years 1983 through 1985, to be expended on any of the financing programs available to the Secretary. The administration has not yet announced its plans for using the initial fund. or whether this determination will be delayed pending resolution of current 301 complaints and the GATT Ministerial meeting in Geneva.

A central feature of the resolution is the direct relationship between increased exports, particularly of processed products, and higher foreign exchange earnings, net farm income and lower U.S. unemployment. This linkage is particularly important considering the continuing U.S. trade deficit, the third consecutive decline in net farm income in 1981, and the current unemployment rate of 9.8 percent.

It is the intent of the committee that the resolution in no way impede U.S. efforts to resolve outstanding disagreements with trading partners and competitors over agricultural issues in the GATT and through other accepted international fora. Pending the success of these efforts, however, the committee expressed its support for pursuing legal authorities which will prevent further erosion of U.S. export markets and restore U.S. agricultural competitiveness based on our comparative efficiency and productivity.

*Estimated revenue impact*

The resolution itself will have no revenue impact, but does support allocation of whatever funds may be necessary to counteract the export financing practices of other exporters.

*Prior action*

The committee favorably reported S. Res. 386 on May 27, 1982. S. Res. 386 includes similar language with respect to encouraging U.S. negotiators at the GATT meeting in Geneva to resolve the disparate treatment of primary and nonprimary products in the Subsidies Code.

## III. VOTE OF THE COMMITTEE IN REPORTING THE RESOLUTION

In compliance with paragraph 7(c) of rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the vote by the committee to report the resolution: The resolution was ordered favorably reported without objection.

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